

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 /034 W
-----001204 080536Z /12
R 071414Z SEP 78
FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC 2156

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E.O. 11652: N/A
TAGS: EAIR, US, CS
SUBJ: GOCR AVIATION POLICY

REF: STATE 214394

1. SUMMARY. GOCR APPARENTLY IS MOVING TOWARD NEW INTERNATIONAL AIR TRANSPORTATION POLICIES AIMED AT ENCOURAGING COMPETITION WITH A VIEW TO IMPROVING SERVICE AND THEREBY STIMULATING TOURISM. DESPITE GOCR CONCERN OVER ABILITY OF NATIONAL AIRLINE (LACSA) TO COMPETE DIRECTLY WITH US CARRIERS, GOCR REPORTEDLY HAS DECIDED TO AGREE TO ALLOW EASTERN AIRLINES TO COMPETE ON DIRECT SAN JOSE-MIAMI ROUTE, HITHERTO AN EXCLUSIVE PROVINCE OF LACSA. PANAM, WHICH PRESENTLY SERVICES SAN JOSE VIA GUATEMALA FROM WEST COAST AND EASTERN SEABOARD, PRESUMABLY WOULD ALSO FEEL EFFECT OF EASTERN SERVICE. IT HAD EARLIER SOUGHT AND WAS DENIED DIRECT ROUTE AND CAN BE EXPECTED TO INTERPOSE OBJECTION WITH CAB. END SUMMARY.

2. REFTEL STATEMENT OF US POLICY FOR CONDUCT OF INTERNATIONAL AIR TRANSPORTATION NEGOTIATIONS COMES AT A MOST APPROPRIATE TIME FOR COSTA RICA, AS GOCR ITSELF IS EVOLVING TOWARD A MORE FORWARD LOOKING AIR TRANSPORTATION POLICY. AS IN THE CASE OF OTHER SMALL LDCS THAT HAVE NURTURED NATIONAL AIRLINES, COSTA RICA HAS PURSUED POLICIES THAT HAVE STIFLED COMPETITION, THEREBY CONTRIBUTING TO POOR SERVICE AND HIGH COST TO THE CONSUMER.

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3. IT WAS WITH THIS BACKGROUND THAT NEWLY-ELECTED CARAZO ADMINISTRATION TOOK OFFICE ON MAY 8, 1978. ONE OF THE STATED OBJECTIVES OF THE NEW ADMINISTRATION WAS TO ENCOURAGE THE DEVELOPMENT OF TOURISM. INsofar AS EXISTING AIR SERVICE TO COSTA RICA IS WIDELY RECOGNIZED AS AN IMPEDIMENT TO THIS OBJECTIVE, THE CARAZO ADMINISTRATION CONDUCTED EARLY REVIEW OF EXISTING AVIATION POLICY WITH

A VIEW TO IMPROVING SERVICE AND LOWERING COSTS TO CONSUMERS, PARTICULARLY FOR THE US MARKET. THEREAFTER, AT AN EARLY AUGUST, 1978 CABINET MEETING (AT WHICH LACSA OFFICIALS WERE PRESENT) PRESIDENT, REPORTEDLY WITH NEARLY UNANIMOUS BACKING OF CABINET, BUT OVER STRONG OPPOSITION OF LACSA, DECIDED THAT GOCR WOULD CONTINUE TO LEND SUPPORT TO LACSA OPERATIONS, BUT THAT THE SUPPORT WOULD NOT ENTAIL EXCLUSION OF COMPETITIVE CARRIERS. INSTEAD, COMPETITION WOULD BE ENCOURAGED. ACCORDINGLY, GOCR OFFICIAL HELD FURTHER DISCUSSIONS WITH US CARRIERS (EASTERN, DELTA AND SOUTHERN) IN MID-AUGUST IN AN EFFORT TO ELICIT ADDITIONAL AIR SERVICE FROM THEM, PREFERABLY WITHOUT DIRECT COMPETITION ON LACSA'S MIAMI-SAN JOSE RUN. EASTERN (WHICH HAS APPLICATION ON FILE WITH CAB FOR DIRECT MIAMI-SAN JOSE ROUTE) CONTINUED TO MAINTAIN THAT SERVICE FROM OTHER US PORTS OF ENTRY, EG ATLANTA, NOT FINANCIALLY FEASIBLE. OTHSC US CARRIERS TOOK SAME POSITION IN DISCUSSIONS WITH GOCR OFFICIAL. BASED ON THIS INFORMATION, CABINET REPORTEDLY HAS DECIDED TO ALLOW EASTERN SERVICE FROM MIAMI, ONCE EASTERN OBTAINS CAB APPROVAL AND APPLIES TO GOCR FOR PERMISSION.

4. GOCR RECOGNIZES THAT COMPETITION FROM EASTERN WOULD CAUSE DAMAGE TO LACSA, ESPECIALLY GIVEN ITS PRESENT QUALITY OF SERVICE. IN AN EFFORT TO UPGRADE LACSA'S POSITION IN WHAT PROMISES TO BE A GROWINGLY COMPETITIVE MARKET, GOCR APPROVED A \$5 MILLION LOAN TO LACSA, WHICH HAS CONTRACTED TO BUY TWO BOEING 727'S ONE TO BE IN SERVICE IN 1979 AND THE OTHER IN 1980.

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5. EMBASSY IS DISTRIBUTING COPIES OF REFTEL USG POLICY STATEMENT TO MINECON (CHAIRMAN OF GOCR AD HOC COMMITTEE ON AVIATION POLICY) AND OTHER APPROPRIATE GOCR OFFICIALS.

6. EMBASSY COMMENT: ANY US FLAG COMPETITION INTO SAN JOSE CAN ONLY CONSTITUTE A PLUS FOR COSTA RICAN TOURISM OBJECTIVES AND FOR APSENGERS OF ALL NATIONALITIES. CORRECT OR NOT, THERE EXISTS HERE A GENERALIZED FEELING THAT NEITHER LACSO NOR PAN AMERICAN PROVIDE ADEQUATE SERVICE OR ARE WILLING AND ABLE TO DO SO. WE WOULD HOPE THAT ADDITIONAL GATEWAYS, PREFERABLY ATLANTA AND NEW ORLEANS, WOULD NOT BE DROPPED FROM CONSIDERATION BY US CARRIERS, IN ADDITION TO THE EASTERN PROPOSAL DESCRIBED IF IT IS APPROVED, OR AS AN ALTERNATIVE IF IT DOES NOT PROSPER.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AVIATION, AIR TRANSPORTATION, POLICIES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 sep 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SANJO03787
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780365-0753
Format: TEL
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780993/aaaacyvy.tel
Line Count: 108
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 77fa6856-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 214394
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1518305
Secure: OPEN
Status: NATIVE
Subject: GOCR AVIATION POLICY
TAGS: EAIR, US, CS
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/77fa6856-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014